United States
Department of Agriculture

Foreign Agricultural Service

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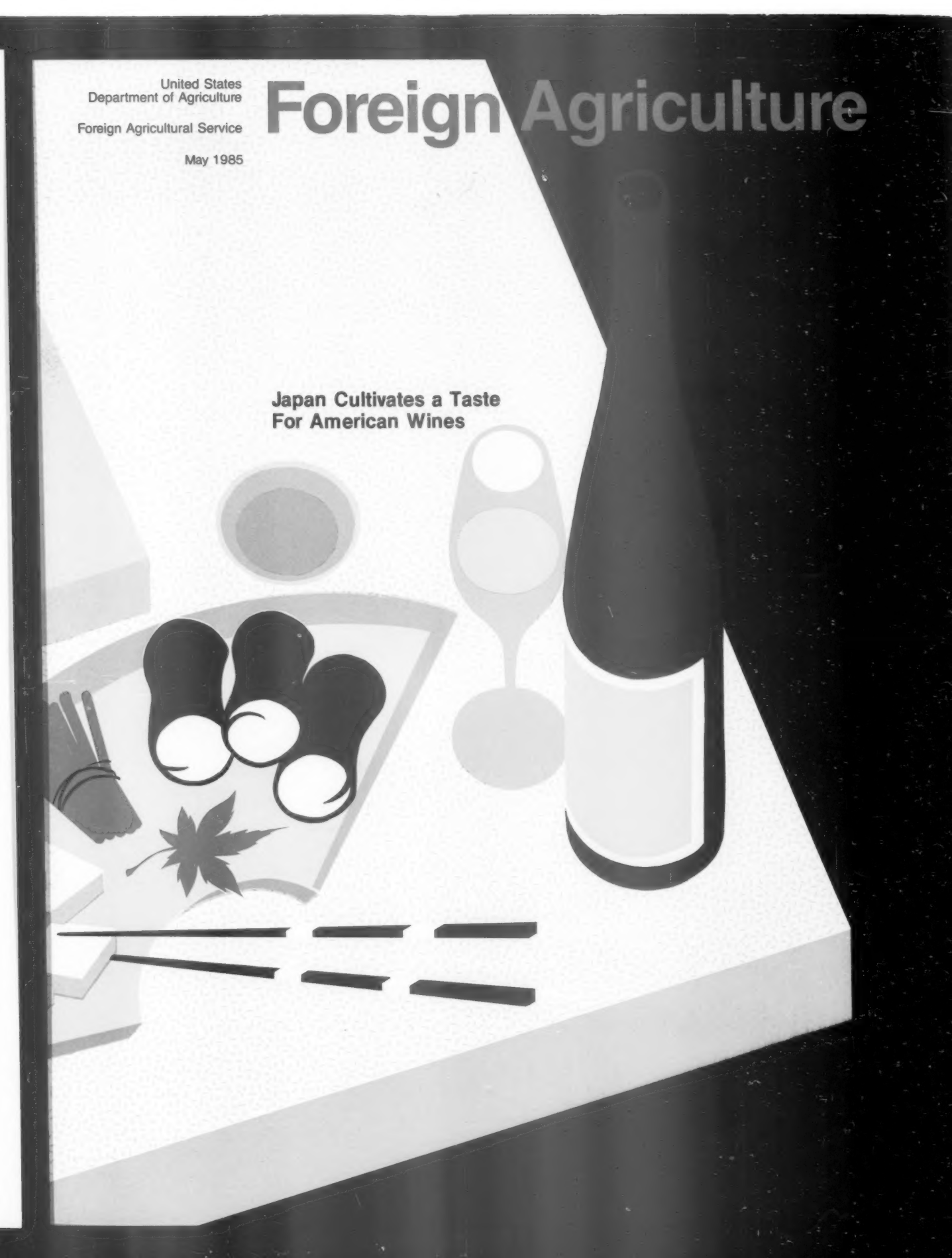
Foreign Agriculture

Japan Cultivates a Taste For American Wines



Marketing News

Cooperator Group Established For Pecan Promotion

The **National Pecan Marketing Council** has been established as a cooperator of the Foreign Agricultural Service (FAS) to promote overseas sales of U.S. pecans. The Council is trying to create demand for pecans in Europe, where nut consumption is high, but the pecan—which is produced almost exclusively in the United States—is relatively unknown. The first two targeted markets are the United Kingdom and West Germany, where market development efforts, including in-store promotions, will begin this year. The Council is located at 714 Piedmont Avenue, Atlanta, GA 30308. Tel (404) 892-6817. The executive director is Rebecca Johnson.

In a related effort, the **U.S. Agricultural Trade Office (ATO)** in Hamburg and one of the largest West German fruit, vegetable and nut importing companies recently completed a retail promotion for U.S. in-shell pecans. The promotion was held during September-December 1984, the peak season for nut consumption in West Germany.

More than 1 million consumer product leaflets on pecans, along with in-shell pecans packaged in 200- and 250-gram packets, were distributed to over 100 retail organizations. As a result of the promotion, the West German company increased its sales from only 20 tons during fall 1983 to 100 tons during the promotion. This fivefold increase (with a value of $320,000) was achieved in spite of the very high dollar/Deutsche mark exchange rate.

ASA Opens Venezuelan Office

The **American Soybean Association** recently opened an office in Caracas, Venezuela. The office is responsible for market development work throughout South America and the Caribbean. The director is Dr. Jose Felix Chavez; the new technical director is Dr. Oscar Araujo. They can be reached by contacting the American Soybean Association, Centro Plaza, Torre C, Piso 19, Caracas 1060, Venezuela. Tel. 283-2399. Telex: 29119 USATO VC. All telexes should be addressed "Attention ASA."

U.S. Team Plans Wine Promotion in Singapore

The California wine industry is eyeing the Singapore market. A wine fact-finding team arrived in Singapore in late January to study how to promote California wines there. The **California Wine Institute** is now a full-fledged cooperator of the **Foreign Agricultural Service** and is eager to open markets in Southeast Asia.

During its visit, the team attended a meeting of the Agricultural Trade Office-California Wine Agents Committee, which includes about 10 importers of California wines in Singapore. A reception also was held at a major hotel for 70 importers, food and beverage managers, distributors and restaurant managers. In addition, several wine tastings also were held.

The team found two possible approaches to marketing California wines in Singapore: merchandising popular, lower priced U.S. wine for the mass market and targeting other, higher priced California wines for inclusion in restaurant menus and fancy, boutique-type outlets.

New Address for U.S. Wheat in Morocco

U.S. Wheat Associates in Casablanca, Morocco, has moved its offices to 18, Rue Colbert, 10eme Etage, Casablanca 01, Morocco. The telephone (22.24.93 and 22.33.93) and telex numbers (24727) remain unchanged.

Self-Certification Option Available for U.S. Beef Exports To Japan

The **U.S. Meat Export Federation (MEF)** reports that U.S. companies exporting beef to Japan may begin using the self-certification option of the U.S.-Japanese beef trade agreement as of January 30. The new option allows U.S. suppliers to use either self-certification or U.S. Department of Agriculture certification. The self-certification procedure should be discussed with importers and decided through buyer/seller agreements. For details on the self-certification procedure, or for any questions, contact the MEF, Tel. (303) 399-7151.

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Thailand has wooed away buyers of U.S. rice in Africa, Asia and other regions. Is it world economics? Improvements in Thailand? It may be both.

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Japanese Market for U.S. Wine Is Improving With Age

By William L. Davis

The Japanese do not yet rank among the world's great wine consumers. But during the past decade, Japan's per capita consumption of unsweetened fruit wine has grown sixfold. That demand is expected to continue, bringing with it greater sales opportunities for U.S. exporters.

Japan's affluent consumers spend more than $20 billion a year on alcoholic beverages. Wine represents only 1 percent of all alcohol consumed in Japan, but its share is increasing.

Japanese wine importers cite a number of reasons for this growth. Among them are:

- An improvement in the quality and variety of wines available on the Japanese market.
- Extensive advertising campaigns by Japanese wineries.
- The healthful image wine enjoys.
- An overall switch in Japanese consumer preferences toward lighter foods and beverages.
- Changing patterns of alcohol consumption. People are increasingly enjoying alcoholic beverages with their food.
- A growing interest in gourmet foods and beverages among affluent adults.

France Tops List of Japan's Top Suppliers of Bottled Wine: CY 1979-84

In million liters

	1979	1980	1981	1982	1983	1984
France	4.78	4.72	5.81	6.25	7.21	8.32
Germany	4.76	3.95	4.99	5.33	6.51	6.67
U.S.	.4	.53	.62	.75	.96	1.35
Italy	.67	.69	.74	.92	.92	1.24
Australia	.26	.26	.26	.25	.66	1.03
Others	1.04	.92	.69	.95	.88	1.14
Total	**11.91**	**11.07**	**13.11**	**14.45**	**17.14**	**19.75**

U.S. Position in the Import Market

Since Japan's capacity to produce grapes is limited, increasing consumption will mean increased wine imports from a number of producers worldwide.

Although U.S. wine is very competitive in terms of both price and quality, its share of the Japanese market is still only about 1 percent, partly because U.S. wines are not yet well known in Japan. However, this is changing.

In 1983 more than 1,500 potential Japanese importers and distributors

were introduced to U.S. wines at two major wine shows sponsored by the U.S. Agricultural Affairs Office.In 1984, partly as a result of the promotional effort, wine imports from the United States rose by over 40 percent, reaching an estimated 1.35 million liters valued at $2.5 million.

Promotions Planned for California Wine

This spring the Wine Institute and FAS began a major promotional program for California wines in Japan. The institute is conducting activities such as seminars for wine stewards and producing point-of-sale materials for use in restaurants and retail shops.

The activities of the Wine Institute are designed to further stimulate growing Japanese interest in U.S. wine. In the long run, however, the success of U.S. wines in the Japanese market will also depend on the marketing efforts of the individual wine producers.

The Japanese Market for U.S. Wine

Japanese importers say U.S. wine sales in Japan will continue to expand for several reasons, in addition to competitive price and quality.

- U.S. wine labeling, which is in English, is easier for Japanese consumers to understand than French and German labeling.
- The quality of U.S. wine shipped to Japan can be maintained more easily since it does not pass through the tropics as European, Australian and South African wines do.
- Japanese visitors to the United States often develop and keep a taste for U.S. wine.

■ The United States, particularly California, has a favorable image among Japanese young people, who represent the fastest growing market for wine in Japan

■ The quality of U.S. wines is more stable from year to year than that of European wines.

White Wine Is More Popular

Japanese consumers prefer white wines because they are lighter and go well with seafood, a very important part of the Japanese diet. Sweet white wines remain very popular. But as individuals become more accustomed to drinking wine, their preference often shifts to drier white wines.

Trade contacts estimate that 55 to 65 percent of the wine sold in Japan is white, while 20 to 30 percent is red and 10 to 20 percent is rose.

Among sellers of these types of wine, U.S. exporters face two major competitors in the Japanese market, France and Germany, which have established reputations in Japan for supplying fine wines. This comes as a result of their many years of aggressive marketing.

Sale of Domestic Wine Is Strong

Also, wines bottled in Japan are very price competitive because of the preferential duty on wine imported in bulk. About three-quarters of the fruit wine consumed in Japan is bottled by Japanese wineries.

Locally bottled wines generally contain a combination of wine imported in bulk containers, wine made locally from imported grape must and wine made from domestic grapes. The most important ingredient, however, is imported bulk wine.

Japan imports over 27 million liters a year of bulk wine, but the United States has not been able to compete in supplying this market because of a preferential duty rate which is lower for wine from developing countries.

As a result of the preferential duty, 97 percent of Japan's bulk wine, in 1983, was supplied by countries such as Yugoslavia, Spain, Bulgaria and Chile which benefit from the lower duty.

Japan Changes Wine Tariff

Japan's wine tariffs for both bulk and bottled wine were lowered last month. The tariff on the bulk wine from industrialized countries has been lowered more than the preferential duty for bulk wine. This revision should make U.S. bulk wine more competitive in the Japanese market.

However, the lower tariffs on bulk wine will reduce the production costs for Japanese wines and this may make locally bottled wines more competitive with imported bottled wines.

Both domestic and imported wines are subject to an excise tax. The excise tax on moderately priced wine, for which the c.i.f. price plus duty is less than 1,020 yen ($4.02) a liter, is 60.4 yen per liter (24 cents).

The excise tax for more expensive wine—for which the c.i.f. price plus duty is over 1,020 yen per liter—is 50 percent of the total of the c.i.f. price and the duty. This tax tends to discourage the consumption of both imported and domestic premium wines. ■

The author is the U.S. agricultural counselor, Tokyo.

Japanese Change Import Tariff on Still Wines

	Previous Tariff	Changes: As of April 1, 1985
Bottled Wine	55 percent or 280 Yen/Liter, whichever is less, subject to minimum of 199 Yen/Liter	38 Percent or 280 Yen/liter whichever is less, subject to minimun of 166 Yen/Liter
Bulk Wine	160 Yen/Liter	80 Yen/Liter
	40 Yen/Liter*	30 Yen/Liter*

*Preferential duty extended to selected developing countries.

Hong Kong Sends Out For American Food

By Michael Humphrey

In a large U.S. city, no one would be surprised to find 26 McDonald's restaurants, four Pizza Huts, two Chuckie Cheeses, four Spaghetti Houses and a Wendy's.

But in Hong Kong it is somewhat more surprising—the result of a tremendous change in Hong Kong's consumer lifestyles, and eating habits in particular. New businesses such as supermarkets and fast food outlets have multiplied so fast that they are now part of the street scene.

The new establishments are popular with persons 30 years of age or younger who make up 56 percent of Hong Kong's population. Nearly non existent in the early 1970s, these businesses have gradually taken over from the corner groceries, food stores and small teahouses and restaurants. In the next decade, the trend toward westernization will probably continue at a fast pace and is likely to bring about further changes in the food trade.

Dining Out Is Common Practice

About 40 percent of Hong Kong's 6 million people are economically active. Most have full time jobs and eat lunch away from home. It is not the general practice to bring lunch boxes to work, since it is easy to find an affordable place to eat among the many restaurants in the city.

Visitors always find it unbelievable to learn that lunch in a fast food shop usually costs less than $1. Equally surprising are dinners at some restaurants that cost more than $120 per person. But the Hong Kong Chinese do not host dinners in their very small homes. Dining out is, therefore, appropriate for all occasions—a birthday, a reunion, after winning at the horse races, or as a Sunday family treat.

Hong Kong Chinese also love hosting banquets at restaurants for occasions such as wedding parties, birthday parties for the senior members of the family and new babies.

Most Chinese restaurants rely heavily on the banquet business for profits. But even this tradition is changing. Wedding banquets, a must 10 years ago, are now being put off by some newlyweds in favor of smaller receptions.

With Six You Get Hot Dog

The most prosperous sector in the restaurant trade is the fast food shops. The first fast food venture was set up in 1972 —the Cafe de Carol. McDonald's came in 1975 and in more recent years came Pizza Huts, Spaghetti Houses, Wendy's and Denny's. Local fast food shops also multiplied in numbers offering some Chinese version of fast foods.

While it has been traditional to treat children in Cantonese teahouses, today's children opt for hot dogs, hamburgers and pizzas. The bulk of frozen meats and poultry is consumed through restaurants and fast food outlets.

Another important development in the food business is the expansion of the hotel grills and buffets, largely the result of an expanding tourist trade. This also accounts for the increased consumption of the more expensive items such as beef, salmon, gourmet fruit and wines.

FAS has sponsored a number of menu promotions with the major hotels in Hong Kong. The success of the promotions points to an increasing demand for top quality items.

The expanding business of the hotel grill room is the greatest potential customer for U.S. beef and seafood, which are disadvantaged by the strong U.S. dollar and transportation costs compared to supplies from Australia and Europe.

Non-Chinese Restuarants Catch On

The number of restaurants and eating places in Hong Kong is probably among the highest in the world on a per square mile or per capita basis. In the past 4 years, non-Chinese restaurants in Hong Kong have opened at a much faster pace than those that serve native fare. The number of eating places in the territory in 1980 and 1984 is listed below:

	1980	1984
Chinese restaurants	2,087	2,000
Non-Chinese restaurants	1,632	3,056
Fast food outlets	329	661
Bars	99	101
Other eating and drinking places	177	246
Hotels	44	51

Black Star

Supermarkets Have Become Big Business

The expansion of supermarkets also has been a big plus for U.S. food exporters. From 1983 to 1984, U.S. farm exports to Hong Kong rose from $357 million to $411 million.

U.S. exports of variety meats almost doubled in the same period to $1.49 million, and poultry sales rose from $29.8 million to $42.1 million.

Hong Kong got its first supermarkets more than 20 years ago. The stores then were aimed mainly at the small foreign community. The majority of Chinese consumers usually shopped daily for food in the grocery stores. By the early 1970s, there were fewer than 50 supermarkets. By 1975, the number had increased to 100; it doubled again by 1980 and then rose to more than 600 by the end of 1984.

The two largest supermarket chains—Park 'n Shop and Wellcome—now have 98 and 86 outlets, respectively, while the 7-Eleven convenience store chain, which entered the market in 1981, has 100 outlets.

Park 'n Shop has also opened its 100th outlet and Wellcome is aiming for 100 by the end of 1985. Another retailer, Circle K, is expected to set up convenience shops in Hong Kong this year.

Compared to the more than 16,000 food retail outlets in the territory, the numbers may not be very impressive. However, in volume, the story is different. It is estimated that more than half of the retail volume of daily food items is marketed through supermarkets, and the monthly bill of all outlets adds up to more than $125 million.

High Volume Puts Hong Kong Supermarkets In the Express Lane

Supermarkets have expanded along with giant housing estates built both by the government and private developers. These estates form large residential centers which require large amounts of meats, vegetables, canned foods and other processed food items as well as household goods.

Today's Hong Kong supermarket offers a wide range of consumer food items. These include frozen meats and poultry, dairy products, soft drinks, wines, candies, nuts and cakes and fresh fruits.

As retail volume expands, supermarkets are able to purchase supplies more cheaply than the small groceries. In fact, the largest supermarket chains have as their parent companies the territory's oldest and largest importers of food items.

In 1984, two large supermarket chains started an unprecedented, large-scale price war. It is evident that the grocery stores and medium-sized supermarkets have already been hurt. It is reported that 40 stores were forced out of business in 1984. It appears that the market will become highly concentrated in the next few years with the largest chains gaining dominance.

Involvement in China: A New Development

Some of Hong Kong's large supermarket chains are also involved in the People's Republic of China. The dairy farm group of companies, which operates the Wellcome supermarkets, has entered into two joint ventures with China.

The first one is the Beijing Air Catering Ltd., which operates flight kitchens in Beijing and Shanghai and a restaurant in Beijing. The second is a joint venture with China Nanhai Oil Joint Service Corporation to supply catering services to rigs exploring new oil leases in the South China Sea in 1983. In 1984, Park'n Shop opened a supermarket in Shekou, located in the Shenzhen Special Economic Zone.

Hong Kong hotels are also invited to venture into China's hotel business. The famous Jiangguo Hotel in Beijing is managed by Hong Kong's Peninsula Group. More joint ventures in supermarkets, hotels and catering services are expected to take place in the near future. ■

The author is U.S. agricultural officer, Hong Kong.

Thailand Steps Up Competition For U.S. Rice Markets

By Thomas Slayton

Thailand has not only surpassed the United States as a the top world rice exporter, but it has also penetrated many of our traditional markets. Most observers agree that unless U.S. prices become more competitive, it is unlikely we will regain those markets carefully built over the past two decades.

In 1981, Thailand and the United States each exported 3 million metric tons of rice. Last year U.S. rice exports were only 2 million tons while Thailand shipped 4.5 million tons.

U.S. rice has had a tough time lately on the world market for a number of reasons. These include our high loan rate, continuing low Thai export prices and significant improvements in the quality of that country's rice.

Also, as a result of weak world demand, a global recession, the strong U.S. dollar and keen competition among Thai rice exporters, world rice prices—in real terms—have declined to their lowest level in more than 20 years. On the other hand, U.S. rice prices have increased somewhat, from $481 a ton in 1982 to about $513 a ton last year.

Thailand Upgrades Production

Significant improvements in the quality of Thai rice, especially parboiled rice, have occurred in the past 4 years. Not only has improved parboiling technology been introduced, but the appearance of Thai rice has been enhanced by the use of 25 electronic sorters with a capacity of 30,000 tons a month.

Three years ago, top quality parboiled rice brought a premium of more than $50 per ton over standard parboiled rice. Today, with increased sorting capacity, that premium has declined to only about $15 per ton.

It is expected that within a few years, electronic sorters will be so common in Thailand that the premium will be replaced by a discount applied to unsorted rice.

Is Price More Important Than Quality?

Despite improvements, the quality of Thai rice remains inferior to that of U.S. rice. However, price differences have practically negated the quality gap. The difference in price has prompted a number of buyers of U.S. rice to take a trial shipment of Thai rice. Many of them have decided that the Thai rice "is not that bad" and have switched.

The continuing price spread has become a serious threat to U.S. rice shipments. Three markets in particular serve to illustrate the problems we face in rice markets: Nigeria, the European Community (EC) and South Africa.

In 1981, the United States provided about 57 percent of Nigeria's rice needs. By 1983, that figure had dropped to only 17 percent. This came about partly as a result of declining Nigerian oil export earnings. In 1983, Thailand provided 80 percent of Nigeria's rice, or 568,000 metric tons.

In 1981, the EC imported nearly 1.3 million metric tons of rice, including 396,000 tons from the United States and only 76,000 tons from Thailand. However, in 1984, Thailand shipped 272,000 tons of rice to the EC, more than double the 1983 total of 130,000 tons.

From 1981 to 1983, Thailand's rice sales to South Africa more than quadrupled to 30,000 metric tons annually. Exports in 1984 topped 56,000 tons, an 87-percent increase over the 1983 level. Meanwhile, the U.S. market share dropped from 83 percent to 78 percent during 1980-84. It is expected to be about 65 percent for 1985.

Competition Affected by Many Factors

A combination of factors is involved in Thailand's competitive strength against the U.S. rice industry. For example, in contrast to their U.S. counterparts, Thai rice growers do not use much expensive equipment, petrochemical fertilizers or insecticides. In addition, they rely on the sun for drying rough rice rather than fuel-burning machines. Also, milling costs in Thailand are much cheaper than in the United States.

In addition, Thai rice prices have been able to respond to changes in world supply and demand, while U.S. prices have not because of farm program provisions.

Indonesia Once Led Rice Demand Drive

There have been many changes in demand patterns over the past two decades. These changes also have had an impact on U.S. sales potential. In the mid-1970s, the United States benefited from the growth in high-quality rice imports by OPEC countries.

In 1976-80, Indonesia was, by far, the largest rice importer. Its seemingly insatiable import needs were the driving force in the world rice market. But a bumper crop in Indonesia in 1980/81 trimmed that country's rice imports to only 543,000 metric tons from a high the previous year of 2 million tons.

However, record Korean imports (due to a poor rice harvest in that country in 1981) drove the world rice trade to a high of 12.9 million metric tons and resulted in strong world rice prices.

Another bumper rice crop in Indonesia in 1981/82 coincided with weak demand in other developing countries (which account for about 60 percent of the world rice trade). This came about as a result of the world economic recession at a time of huge crops in the United States, Thailand and other major rice exporting countries. The result was a plunge in world rice prices.

The Thai government responded, cutting rice export taxes and adopting a free trade export policy. This policy, combined with severe price cutting among Thai rice exporters, resulted in even lower export prices.

Because of the U.S. loan rate, the export prices of U.S. rice could not follow the trend set in Bangkok. The spread between the CIF price in Rotterdam of comparable qualities and Thai rice averaged $59 in 1981; it has widened to $243 today. ■

The author is the agricultural attache, Bangkok.

Fact File

The Generalized System of Preferences: What It Means to U.S. Agriculture

Purpose and Scope

The Generalized System of Preferences (GSP) is a system of tariff preferences that enables developing countries to compete more effectively in the U.S. marketplace to help in their economic development. Simply put, it eliminates import duties on designated products in nearly 3,000 tariff categories. Included are selected agricultural items, most wood and paper products, certain chemicals, and a broad range of manufactured and semimanufactured articles. Some products are excluded by law in order to protect U.S. industries. Among these are textile and apparel articles; watches; certain kinds of footwear; and import-sensitive electronic, steel and glass items.

Overall, the value of world trade receiving GSP benefits from countries belonging to the Organization for Economic Cooperation and Development (OECD) rose from $1 billion in 1972 to $25.4 billion in 1980, the most recent year for which data for all OECD schemes are available. The programs of different countries differ in their levels of benefits and in their product coverage.

In the United States, $10.8 billion worth of dutiable imports from developing countries entered the country duty free under the GSP during 1983. While this represented only a little more than 4 percent of U.S. imports, it accounted for 17 percent of dutiable imports that year from the 114 developing countries and 26 dependent territories eligible for GSP preferences from the United States.

Background

Discussions on a system of tariff preferences for developing countries began at the first United Nations Conference on Trade and Development (UNCTAD) in 1964. By 1970 agreement was reached in UNCTAD on a generalized system of preferences, and authority for such preferences was obtained from the General Agreement on Tariffs and Trade (GATT) in 1971.

The United States implemented its first GSP program in 1976. A second GSP program, authorized by the Trade and Tariff Act of 1984, went into effect January 4, 1985, to run until July 4, 1993. The other major preference givers, the European Community and Japan, also have authorized GSP programs for a second decade.

Requirements

The United States' GSP program is designed to give a competitive edge to countries that are relatively new and small suppliers of a particular product. Eligibility for GSP may be revoked when a developing country becomes a sizable supplier of a particular product—specifically when it supplies more than 50 percent of U.S. imports of that product or more than a certain dollar value ($63.8 million in 1984).

These restrictions on GSP eligiblity, which constitute what is known as the "competitive need" rule, remove the extra benefit of GSP from imports that already are highly competitive in the U.S. market. This helps to leave room for GSP imports from newer suppliers.

There are a few exceptions to this "competitive need" rule. It does not apply to countries at the lowest level of economic activity, those defined as "least developed." Also, the 50-percent limit does not apply to items in which trade is very small—defined in 1984 as those in which U.S. imports did not exceed $7.6 million.

Whenever a beneficiary's per capita gross national product exeeds $8,500, GSP benefits are to be terminated after a 2-year phaseout period. No beneficiary has reached this level of GNP per capita.

All GSP decisions must take into account the beneficiary country's level of development, its competitiveness in the product, and the anticipated impact of the decision on the relevent U.S. industry or producers. Beneficiaries also are expected to provide reasonable access to their markets for U.S. goods and services; refrain from unreasonable export practices; provide adequate protection for intellectual property rights such as patents, copyrights and trademarks; reduce or eliminate the use of trade distorting investment measures such as export performance requirements; and grant internationally recognized workers' rights.

Safeguards

A number of safeguards exist to protect U.S. agricultural producers, manufacturers, and workers in import-sensitive industries. Petitions to add or remove products from GSP are reviewed carefully each year. Changes in product eligibility take into account any potentially adverse impact on U.S. industries.

Review Procedures

The latest GSP program calls for the President to complete a general review of the entire program by January 4, 1987, and report to Congress on his findings a year later. As part of that review, he is to determine which products from which countries are "sufficiently competitive." For products from countries falling within this determination, a lower competitive need limit of 25 percent or $25 million (indexed to changes in nominal U.S. GNP) will be applied.

Fifteen Countries Receive Nearly 90 Percent of GSP Benefits

Beneficiaries	U.S. Imports			Share of U.S. GSP	1982 GNP percapita
	Total	GSP	GSP share of total		
	$ Million	*Percent*	*Percent*	*Dollars*	*$ Million*
Top 15	63,358	9,383	14.8	87.2	—
Taiwan	11,204	2,981	26.6	27.7	2,640
Korea	7,148	1,524	21.3	14.2	1,910
Hong Kong	6,394	1,102	17.2	10.2	5,340
Mexico	16,776	725	4.3	6.7	2,270
Brazil	4,946	633	12.8	5.9	2,240
Singapore	2,868	512	17.9	4.8	5,910
Israel	1,255	474	37.8	4.4	5,090
Philippines	2,001	258	12.9	2.4	820
Venezuela	4,938	239	4.8	2.2	4,140
Argentina	853	225	26.4	2.1	2,520
India	2,191	181	8.3	1.7	260
Yugoslavia	386	162	42.0	1.5	2,800
Peru	1,151	142	12.3	1.3	1,310
Thailand	967	118	12.2	1.1	790
Portugal	280	107	38.2	1.0	2,450
Total, all GSP beneficiaries	**63,789**	**10,765**	**17.0**	**100.0**	—

Rotterdam Lab Helps Keep U. S. Foods Fresh to Europe

By Stephen Berberich and Andrew Walker

The export of U. S. farm products, a powerful economic force in world markets, has strong and nourishing roots in agricultural research. As far back as 1910, then-Secretary of Agriculture James Wilson said, "... more and more attention is being directed to the study of the handling of perishable products, that waste may be lowered and quality and condition improved ... The results already obtained show the great value and importance of such studies ..."

In 1910, U. S. farm exports were valued at slightly less than $1 billion. Last year, they stood at $38 billion, and much of the credit must go to innovations in packaging and shipping.

Increasing international competition and greater consumer sophistication demand the utmost in quality and freshness. The ability to deliver an abundance of perishable products in salable condition to markets thousands of miles away has been one of the highest achievements of applied agricultural research.

Such research often begins at the European Marketing Research Center in Rotterdam. The center was founded in 1969 by USDA's Agricultural Research Service (ARS) at the request of U. S. growers, shippers, and trade associations. ARS scientists there work closely with Foreign Agricultural Service staff in improving the packaging, transport, storage, and arrival condition of U. S. farm exports.

"By evaluating test shipments from stateside researchers and by providing onsite technical marketing data to U. S. exporters, the Rotterdam scientists have nurtured many commodity markets."

By evaluating test shipments from stateside researchers and by providing onsite technical marketing data to U. S. exporters, the Rotterdam scientists have nurtured many commodity markets. Annual export to the European Community of 35,000 tons of U. S. grapefruit, $2 million worth of radishes, and $1.5 million worth of lettuce and Chinese cabbage have resulted largely from the efforts at Rotterdam.

"Before we were here, American fruit and vegetable exporters had a difficult time competing in Europe," says center director and plant physiologist Gordon K. Rasmussen. "Shipping by refrigerated van containers was disappointing and, in many cases, financially disastrous for some shippers. The United States access to European markets was in jeopardy. But the center has been instrumental in turning that around."

Iceberg lettuce is a case in point. Several years ago, losses in U. S. Defense Department shipments to U. S. troops in Europe were running as high as 50 percent. A cooperative USDA-Army effort to redesign the insulated, refrigerated van containers to improve air circulation cut losses to 6 percent, according to center agricultural marketing specialist R. Tom Hinsch, then a stateside scientist coordinating the USDA effort.

Fruit and vegetables are not the only perishable items whose export markets have been markedly improved by center research, according to Hinsch.

Take the case of leatherleaf ferns—an important Florida agricultural item, which as recently as 1978 often arrived in Europe with heat or cold damage. Claims against U. S. shippers reached 40 percent of all arrivals.

Then researchers at the Market Quality and Transportation Laboratory in Orlando, Fla., cooperating with ARS scientists at Rotterdam, designed new packages and stowage patterns for shipping leatherleaf ferns, and pinpointed the best temperatures and other conditions for shipping. As a result, U. S. commercial shippers reduced claims to 2 percent by 1980 and boosted sales from $1 million to over $9.2 million.

Variety Meat Packaging

Sometimes scientists at the European Marketing Research Center use comprehensive surveying, rather than new laboratory work, to expand markets. "Variety" meats are an example: Beef and pork kidneys, tongues, livers, and similar meats are considered a valuable source of protein by many Europeans.

In 1978, William L. Rodman, the U.S. agricultural counselor in London, and his staff told center scientists that importers were complaining about the packaging and presentation of frozen U. S. variety meats. A $60 million United Kingdom market was in jeopardy.

The Rotterdam center responded. By questioning major European importers, steamship companies, and port health authorities, the center determined that the eye appeal and packaging of U. S. variety meats needed improving. Handling U. S. variety meats was difficult, buyers said, because there were no standard package sizes and weights. Importers discounted them heavily in order to sell them.

The center published its findings along with recommendations, and the U. S. meat industry is adjusting its marketing. According to Rasmussen, variety meats are now one of two recent Rotterdam efforts most likely to expand export markets, given favorable international economic conditions. The other is specialty fruit.

California Kiwis

Kiwi fruit, blueberries, and other specialty fruits are in high demand in Europe. Kiwi fruit from California, however, meets stiff competition in both Europe and Asia from kiwis grown in New Zealand, France, and several other countries.

Cooperating with the Rotterdam Center, scientists at the ARS Market Quality and Transportation Laboratory in Fresno, Calif., are winnowing out possible causes for any problems with U. S. kiwi fruit. Their final conclusions will be important, since a top quality U. S. kiwi could at least corner European markets during the Southern Hemisphere winter—peak season for the California kiwi fruit.

Blueberries

At $5 a pint in Europe (about three times the price U. S. consumers pay), blueberries are a potentially big export item for U. S. growers and shippers. Until recently, however, shipping fresh blueberries to Europe was limited to expensive air freight. In 1981, scientists at the Postharvest Research Center in New Brunswick, N. J., sent test shipments of fresh blueberries to Europe by ocean carrier. The blueberries were cooled immediately after harvest and kept at 32° F in transit, then sold in excellent condition to European wholesalers—the first commercial sea shipment ever successfully completed.

Plastic Film-Wrapped Grapefruit

Rotterdam scientists currently are working with their ARS counterparts in Orlando, Fla., to determine if grapefruit can be shipped to Europe in non-refrigerated "dry vans."

Test shipments of grapefruit that have been individually wrapped in a fungicide- impregnated, heat-shrunk, high-density polyethylene film have been encouraging. Moisture loss and shrinkage have been reduced, leading scientists to speculate that such grapefruit could have a longer shelf life than unwrapped grapefruit shipped in refrigerated vans. And the plastic wrapper makes a good marketing tool: it can be labeled and decorated, with recipes printed on it, thereby encouraging greater consumption.

"It's a Jungle in There"

Center scientists are also working to improve the quality of tropical and subtropical ornamental trees being shipped to Europe for use in offices, homes, and hotels. Yet another project, launched with USDA scientists in Fresno, Calif., seeks a reliable test for the presence of insects in shipments of raisins. Center researchers have already shown that California raisins are entering Europe pest-free; however, some shipments are becoming contaminated in European warehouses that also buy raisins from European and Asian nations.

Since fumigating Europe's often semi-open air warehouses is expensive, difficult, and a possible health risk to workers, a method for quickly detecting the presence of Indian meal moths *(Plodia interpunctella)* and similar insects in other countries' raisins is crucial to preserving the reputation and quality of California's. Rasmussen and Hinsch are confident that the center's expertise and teamwork, together with that of their California colleagues, will provide a solution.

A Team Effort

Whether it's raisins, ornamental trees, wheat, or soybeans, USDA and other scientists across the country are aiding the foreign sale of U. S. foods and agricultural goods through research.

In Philadelphia, scientists at the USDA Eastern Regional Research Center have demonstrated that blueberries and carrots and other fruits and vegetables can be "explosion puffed," a form of dehydration with many advantages over conventional freezing or freeze-drying. Explosion-puffed blueberries can be stored for as long as 2 years, then rehydrated to near perfect form and taste. Explosion puffing may considerably expand markets for the U. S. blueberry and similar fruit.

Goodbye, Medfly

In Asia, Japan is our best customer for agricultural products, annually importing $150 to $180 million in U. S. citrus alone. However, in 1981, Mediterranean fruit flies made their infamous appearance in California, and Japan ceased all importing of Golden State produce.

"The USDA reaction to the medfly situation was to accelerate studies to fumigate fruit with approved chemicals in ways to meet new, tougher restrictions imposed on our shippers by the Japanese," says Milton Ouye, ARS' national program leader for research on reducing postharvest losses.

"We developed onboard treatments for fruit. Instead of delaying fruit at departure docks for many days, an entire shipload is fumigated during the 12-day journey to Japan," Ouye says.

Such research is conducted in a maze of complex regulations. Agricultural Research Service studies support the work of its sister agency, the USDA Animal and Plant Health Inspection Service (APHIS) and State regulatory agencies, who together set and enforce quarantines, often with the cooperation of the Foreign Agricultural Service and the Federal Grain Inspection Service.

Though complex, the process has opened or reopened many commodity markets, including the following:

■ A $4 million market in Japan for Northwest cherries. ARS research on cold-temperature fumigation convinced Japanese officials to revise regulations that for 4 years had limited market potential.

■ A $7 to $10 million export market in Japan for timothy hay. The market closed when Japanese quarantine inspectors found prohibited plant materials in timothy from Washington State. The plant materials were known to harbor the Hessian fly, a U. S. pest not present in Japan. Research on fumigation to kill the fly in timothy hay convinced Japanese officials to reaccept U. S. shipments. ■

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U.S. Agricultural Exports to European Community Continue To Fall

By Ron Trostle

U.S. agricultural exports to the European Community (EC) have dropped steadily since 1980, a record year, when the value of the U.S. dollar was lowest against currencies of most EC countries.

The EC Common Agricultural Policy (CAP) has hurt U.S. trade with that region. High support levels of the Community have greatly increased the EC's self-sufficiency and made it a net exporter of wheat in 1978, sugar in 1976 and recently coarse grains.

The continued muscle of U.S. currency, although less of an adverse factor than the effects of the CAP, also has made it difficult for U.S. products to compete in EC markets. In addition, sluggish economic recovery and lingering high unemployment rates in Western Europe have hurt the demand for agricultural products, particularly for livestock products and imported feed ingredients.

U.S. exports to the EC in fiscal 1984 were $6.7 billion, off sharply from the $7.6 billion of 1983 and considerably lower than the record $9.6 billion in 1980.

The export picture is not likely to be any sunnier in 1985 unless the value of the dollar weakens. Continued sluggish economic growth, weak demand for livestock products and a record EC grain crop will depress EC imports.

A further increase in agricultural self-sufficiency will mean stiffer competition among all exporters for the EC market in 1985. The forecast for lower export unit values resulting from lower world prices for most products further reinforces the dim outlook for any increase in the value of U.S. agricultural exports.

Most Farm Product Exports Fall

Lower export volume more than offset higher prices in fiscal 1984, resulting in the decreased overall value of most U.S. farm products exported to the EC.

U.S. exports of meats and products, total grains and preparations, nuts, vegetables. soybeans and protein meals dropped between 20 and 40 percent during the same period. The percentage drop in export value of some products was even larger, although some commodity categories

Wheat (including the grain equivalent of flour) and total coarse grain shipments fell 49 and 56 percent, respectively, between 1981 and 1984, while fruits and preparations declined 50 percent. Meanwhile, U.S. cotton exports to the EC climbed 105 percent as European textile exports rose in response to modernization of its textile industry and reduced availability from other suppliers.

Also, feeds and fodders (excluding oilcake) increased 16 percent in value. The small category of "other products" increased by 23 percent, supporting a modest shift from exports of basic farm products toward more processed products.

Grain and Oilseed Exports: Declining but Still Important

U.S. exports of grains and oilseeds and their byproducts to the EC were $4.4 billion in fiscal 1984 and accounted for two thirds of U.S. agricultural sales to the EC. While the total was down from $6.5 billion in 1981, these products continue to be quite important to the U.S. agricultural sector.

Feedstuffs accounted for most of the grain and oilseed shipments. All soybean meal and 75 percent of the corn used in the EC was fed to livestock. Imports from the United States accounted for about 80 percent of soybean meal and half the oilseed meal fed in the EC.

The EC accounted for about 15 percent of U.S. corn exports ($600 million) in 1984 and a third of U.S. soybean and soybean meal exports, valued at $2.8 billion.

Corn Exports Down From 1976 Peak

U.S corn exports to the EC have dropped every year since the 1976 peak of nearly 16 million tons. The EC's steadily increasing production of coarse grain and feed-quality wheat has played a major role in this decline. Production of these products expanded much faster than livestock production or the industrial use of grain. As a result, the EC shifted from a net importer of grain to a significant net exporter.

Black Star

The EC's price policy has raised the market price of corn relative to wheat and barley to encourage greater feed use of EC-produced wheat and barley in place of imported corn.

Another factor was the EC's 1984 decision to halt, at least temporarily, its policy of allowing EC importers to fix advance import levy rates for corn. This decision caused uncertainty about future market prices for imported corn and resulted in a shift to French-produced corn for the starch industry.

Most nongrain feeds, unlike grain, enter the EC free of import levies and are, therefore, relatively inexpensive feedstuffs. Soybeans, soybean meal and corn gluten are major U.S. exports in this category.

Slower growth in livestock production and a rapidly appreciating dollar, which increased soybean meal prices in Western Europe, began softening the demand for meal in 1980. In addition, rapeseed and sunflowerseed production, which receive generous price supports in the EC, expanded 94 percent from 1980 to 1984 and displaced soybean meal on nearly a one-to-one basis.

Finally, the availability of skimmed milk powder, which is subsidized for use as a high-protein feed in the EC, rose steadily during 1980-84. As a result of

the rapid increase in EC milk production and depressed world markets, EC feed use of skimmed milk powder increased 48 percent (440,000 tons) in 1983 and continued to rise in 1984.

Feeds and fodders, excluding oilcake, have been the one bright spot in U.S. exports of feedstuffs. Exports of these products rose 16 percent during 1981-84, in spite of the strenghtening dollar. Corn byproducts, including corn gluten, accounted for 75 percent of U.S. feed and fodder exports in 1984. However, the EC wants to impose import restrictions on corn gluten feed.

Regardless of the outcome of this issue now being negotiated under the General Agreement on Tariffs and Trade, the EC's demand for corn gluten, which is fed to dairy cows, will be constrained by the EC's new dairy policy, which has put quotas on milk deliveries.

Export Prospects Not Optimistic

Although economic recovery in the EC will stimulate the demand for agricultural products somewhat, livestock production will probably climb very modestly because the EC's consumption of meat, dairy products and eggs is already very high.

EC policy will probably not encourage increased livestock production because of financial and political problems associated with surpluses. For example, the EC's milk delivery quotas are intended to control milk output for 5 years. Growth in the poultry industry, which uses about half of the corn fed, is expected to continue at a slower rate. All of these factors point to stagnant demand for imported feedstuffs.

Advances in technology and favorable fertilizer prices are expected to cause additional surplus grain production. This surplus will displace imported corn, and the demand for U.S. corn will likely continue to decline.

Although growth in the starch industry will encourage use of more grains, increased starch output will be moderate. The EC may also begin to use larger quantities of wheat in the starch industry, and increased competition from French corn is expected. Significantly larger supplies of wheat gluten from starch manufacturing would dampen the demand for imported substitutes.

U.S. Agricultural Exports to the EC: 1981-84

(In million dollars)

Commodity	Fiscal years 1981	1982	1983	1984
Animals and products	780	942	749	734
Meats and prod.	254	221	161	139
Inedible tallow	94	147	80	78
Grains and prep.	2,746	2,195	1,750	1,788
Wheat and flour	482	448	272	210
Rice	103	166	83	111
Coarse grains	1,423	866	521	620
Feed and Fodders	717	701	858	830
Fruits and prep.	261	194	183	154
Nuts and prep.	304	274	224	248
Vegetables and prep.	189	178	152	140
Oilseeds and prod.	3,806	4,190	3,610	2,639
Protein meal	788	945	955	585
Soybeans	2,602	2,975	2,414	1,795
Tobacco	494	478	529	476
Cotton,excl.linters	155	194	186	309
Other	186	243	246	229
Total	**8,921**	**8,888**	**7,629**	**6,717**
1,000 metric tons				
Inedible tallow	217	348	218	172
Wheat and flour	2,592	2,647	1,658	1,278
Rice	219	522	227	343
Coarse grains	9,826	7,421	4,254	4,362
Protein meal	3,305	4,239	4,439	2,519
Soybeans	8,757	11,552	10,029	6,273
Tobacco	97	87	93	80
Cotton,excl.linters	80	122	120	130

Sources: U.S. Bureau of the Census and ERS estimates.

Soybean Imports Expected To Slow

The rapid growth in EC imports of soybeans and meal during the last 10-20 years is expected to slow considerably as the EC continues to dispose of surplus skimmed milk powder through livestock feeding and promotes expansion of protein feed production.

A more fundamental limitation to long-term growth in soybean meal use is the lack of sustained strength in livestock production. Also, in much of the EC, oilseed meal is being used near its maximum level in many feed rations.

The outlook for U.S. exports of many other agricultural products other than feedstuffs is also not bright. The EC's Common Agricultural Policy will likely continue to encourage steadily rising self-sufficiency in the agricultural sector and a decline in imports. The expected entry of Portugal and Spain in 1986 also will introduce increased competition into the EC market for a variety of products. ■

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Country Briefs

China

Push Is on To Spur Grain Use

China has been deemphasizing grain production since 1978, but improved yields have more than compensated for cutbacks in area. As a result, nearly every area of the country except the northwest now has more grain that it can use. Government policy up to now has been not to move these surpluses to other areas of the country where they may be needed, but to supply deficit areas and large cities through imports. Therefore, the government is urging localities to use more grain in their own areas.

Baking, liquor production, bean curd making and other food processing activities are being encouraged. The government also is adjusting its price structure to provide a greater incentive to use grains in meat production. Where formerly grains used for feed purposes were not eligible for price subsidy, feed prices are now being allowed to float downward. Procurement prices for meat are being adjusted to consider quality and leanness as well as quantity.

The government would also like to see a more general readjustment in the rural economy, with more rural laborers employed in nonagricultural pursuits such as transportation, services and trade. Rural marketing and distribution also are being assisted by the removal of restrictions on commodity movement between provinces and the encouragement of middlemen.

As a result of these measures, which are being accompanied by a change in the procurement price structure for grain and other agricultural products, the area sown to grain is expected to decrease again in 1985. Future area will depend on the success of this year's harvest. Grain production may still increase slightly with improved yields, but it is doubtful that the rapid percentage increases of the past 3 years will be matched. *—Susan Scurlock, Agricultural Attache, Beijing.*

Japan

U.S. Share of Cotton Imports To Grow

The United States appears likely to supply more than half of Japan's raw cotton imports during the 1984/85 marketing year, primarily because of competitive U.S. prices and freight rates during the first half of the season. Furthemore, the Soviet Union apparently has been unable to maintain its position as a major supplier of raw cotton to Japan. The Soviets sold a small quantity of cotton for October-December shipment, but because of concern over their crop they have offered no cotton to Japan since then. Japanese buyers also are expected to be somewhat cautious in buying from the 1985 Australian cotton crop, due to recent quality problems. On the other hand, sales from Pakistan are likely to recover from last season's drop. And several Latin American countries, especially Brazil and Mexico, may be expected to rack up substantial increases in shipments.

Representatives of Chinatex and the Japanese cotton trade reportedly have reached "a fundamental understanding" on a new agreement to govern shipping terms for Chinese cotton exported to Japan. In addition to covering quality certification and product weight, the agreement would establish penalties for shipping delays and set standards for micronaire and moisture content.

Despite this understanding and the huge 1984 Chinese cotton crop, most Japanese importers do not expect any substantial increase in imports from China during 1984/85. Traders point out that a shipping terms agreement cannot remove certain obstacles facing Chinese exports, such as infrastructure problems causing late deliveries and the lack of equipment for larger sized bales.*—William L. Davis, Agricultural Counselor, Tokyo.*

Malaysia

Cocoa Production Gains Ground

Malaysia is quickly moving to the forefront of major cocoa bean producers. Ten years ago, Malaysian cocoa bean production was relatively insignificant. Today it is not only an important crop in the Malaysian context, but it is also becoming a potent force in the world cocoa market.

Cocoa fits in nicely with the highly developed Malaysian plantation sector, which has had years of experience with rubber and oil palm. This fact, combined with the problems of

other producing areas, particularly in Africa, signals a healthy future for Malaysian cocoa production.

By the end of the decade, Malaysian output is forecast to reach more than 200,000 metric tons of beans annually, which will put it into the number 3 spot among the world's cocoa bean producers. At that point, nearly 200,000 hectares of cocoa trees will be mature and another 40,000-50,000 hectares will be producing, although at less than maximum levels. *—Frank Tarrant, Agricultural Attache, Kuala Lumpur.*

Portugal
New Milling, Baking Legislation Set

In preparation for its accession to the European Community (EC) in January of 1986, Portugal has been preparing legislation on the production and marketing of agricultural commodities and products to conform more closely with existing EC legislation.

Using Italian and French laws as models, the government has published several new decrees for the milling and baking industries. The new legislation consolidates regulations on flour use and bread qualities and reconciles contradictions; establishes milling and baking characteristics; and defines a larger variety of bread types by flour composition. However, both millers and government technicians say that the new legislation only changes the nomenclature but not the quality of the flour. As a consequence, U.S. exports of wheat to Portugal are not expected to be affected by the new rules.

Portugal annually must import 550,000 to 700,000 tons of wheat—and the United States has almost 100 percent of the import market. Portugal normally purchases U.S. Soft Red Winter (SRW) to augment supplies of its own soft wheat, and U.S. Hard Red Winter (HRW) for blending. The quantity of either wheat class shifts up or down, depending upon the volume and milling quality of the domestic wheat.

For instance, if the quality of domestic soft wheat is poor, more U.S. HRW is imported. If the quality of the domestic crop is good, the proportion of U.S. HRW would be somewhat less. In 1983, the milling quality of the Portugese wheat crop was good, but the crop was sharply reduced by drought and Portugal imported about equal quantities of U.S. HRW and SRW. Crop volume was up in 1984, but quality was below average, so more U.S. HRW is being imported in 1984/85.—*Mollie J. Iler, Agricultural Counselor, Lisbon.*

Spain

Production of Feed Legumes Pushed

Spain is hoping to reduce its dependence on imports of protein for animal feeding through a two-phase, 3-year program (1984/85-1986/87) to encourage production of feed legumes. The legumes involved are lupine beans, field peas, horse beans, vetch seed, rapeseed and soybeans.

The experimental phase of the program is open to individual farmers or group farming organizations who plant at least 10 hectares with certified seed from select plant materials. The government is considering subsidizing up to 50 percent of the cost of the seed and as well as instituting a price support system. Cooperatives or private companies engaged in the manufacturing of animal feed will also get some government help if they commit themselves to contract for at least 300 hectares of feed legumes.

The second phase of the program contemplates granting a subsidy of 1,000 pesetas per hectare planted and germinated, provided the area seeded to feed pulses exceeds 10 hectares in each case. Cooperatives or private companies that manufacture animal feeds and buy feed legumes produced under the plan will be entitled to a subsidy set at 2 pesetas per kilogram for 1984/85, if they buy lots of not less than 100 tons.

The program is expected to encourage production of feed legumes in general and that of rapeseed and lupines in particular. It should also provide farmers with alternative crops which will reduce the consumption of nitrogen fertilizers. *—Fred W. Traeger, Agricultural Counselor, Madrid.*

British Consumer Preferences Could Boost U.S. Convenience Food Exports

By Harold A. McNitt and John L. Wake

Despite import barriers and heavy competition, several types of U.S. foods are finding a place on British store shelves, thanks to growing consumer preference for convenience foods and fresh produce. That could spell good news for U.S. food export prospects in a market that has failed to flourish.

During 1981-83, British agricultural purchases from the United States averaged $939 million annually, including $300 million in food and beverages.

The comparatively small proportion of foods in the mix of U.S. exports is due in part to the availability of lower priced goods from Britain's farms and processing plants.

In addition, foods imported into the United Kingdom from other members of the European Community (EC) are admitted free of tariffs, levies and most other import barriers, often giving them a decisive price advantage.

Foods from non-EC countries in the Mediterranean area and from developing countries also frequently benefit from preferential tariff treatment.

These import barriers restrict many U.S. exports, including most meats, dairy products, flour, baked goods, lard, sugar and many fruits and vegetables. However, gaps in the EC's elaborate system of protective barriers are allowing several types of U.S. foods to find their way into the shopping carts of British customers.

Over half of British imports of dried beans and peas and one-fourth of edible tree nuts originate in the United States. Other items such as variety meats, peanuts, fresh and dried fruits, grain products and rice also appear to have potential for further sales growth.

Here is a look at some opportunities and obstacles for U.S. food exports to the United Kingdom.

Dried Vegetables

Dried and dehydrated vegetables are the largest U.S. food export group to the United Kingdom. The United States is the leading world supplier to Britain of both dried leguminous vegetables (pulses) and nonleguminous vegetables such as onions and potato flakes.

Both markets are expanding since the products are used in soups, condiments and other convenience foods that are in demand.

The British market for dried pulses expanded from an annual average of $87.5 million during 1977-79 to $96.6 million during 1981-83, increasing sharply after 1980. The market for nonleguminous, dehydrated vegetables remained stable at about $31 million annually during the entire period.

The British processing industry's interest in meeting rising consumer demand for convenience foods assures a continued strong market for dried vegetables.

Edible Tree Nuts

British tree nut imports from the United States expanded from an annual average of $3.9 million during 1968-70 to $25.7 million during 1981-83. The U.S. value share of the market also rose from 9 to 39 percent.

The rapid growth of British demand during the 1970's is attributed to increased use by bakeries and confectioneries, rising consumer incomes, and consumer interest in natural and health foods.

Almonds are by far the leading U.S. edible tree nut export to Britain, with walnuts a distant second.

Because the United Kingdom produces no edible tree nuts on a commercial

scale, this market offers potential for further U.S. sales growth.

Peanuts

Britain is Europe's largest peanut importer, and the United States is normally the principal supplier.

Peanuts are not used as an animal feedstuff in the United Kingdom. All imports are for human consumption. Candy and confectionery manufacturers are the largest end users.

Raw peanuts from all suppliers enter the United Kingdom and other EC countries free of tariffs and levies. Roasted peanuts, however, are subject to a common external tariff.

Variety Meats

Although the British market for most red meats and poultry is limited, frozen variety meats are an important exception. Imports of fresh, chilled and frozen variety meats averaged $115 million annually during 1981-83, of which the United States supplied $27 million.

Beef kidneys, beef tongue and pork offals are the principal U.S. variety meats exported to the United Kingdom.

The relative success of U.S. variety meats can be explained partly by the high level of demand which exceeds both domestic and EC availabilities. Even more important, beef offals for food use are charged relatively low tariffs. Pork offals, while subject to variable levies, also are charged low tariffs.

These tariffs and levies contrast favorably with the prohibitive levels established for other types of meat.

Fresh Fruits

Fresh fruit is prominently displayed and promoted in British supermarkets in a quest for higher margin commodities to offset rockbottom prices charged for traditional groceries. This promotion comes at a time when the variety of available fresh produce has been vastly expanded through innovations in distribution. The current emphasis on the nutritional value of fresh foods also has stimulated consumer demand.

However, several factors place U.S. fresh fruit at a severe competitive disadvantage. They include high tariffs on several items, nontariff barriers such as compensatory taxes, and tariff preferences extended to many of the Mediterranean and developing countries.

Despite these handicaps, U.S. exports of apples, grapefruit, melons and other fresh fruit continued at modest levels during 1982-84.

Grain Products

Although the British milling and baking industries are able to satisfy a large share of the home market for grain-based products, opportunities occasionally appear for U.S. exports.

These products also face import barriers. Tariffs are generally moderate, but variable levies, which apply to almost all grain-based food products, place most U.S. exports at a disadvantage.

As British food habits change, ready-to-serve breakfast foods and popcorn are becoming more popular. Packaged pet foods have achieved variable success on the market but declined sharply after 1980.

Dried Fruit

British purchases of U.S. raisins, prunes and other dried fruit are subject to wide annual variations. Typically the United States supplies only a small portion of British raisin imports, but provides over half of its prunes.

The U.S. market share for raisins, however, is growing with the help of a special promotion campaign administered by the California Raisin Advisory Board.

The predominant U.S. share of prunes is due mainly to supply availabilities. France and Italy, the only significant EC prune producers, are unable to fill their own needs. Despite the EC tariff on U.S. and other non-EC prune imports, the market appears to have potential for further sales growth.

Rice

A slow but significant increase in British rice consumption suggests that the market for high-quality U.S. rice products is growing.

However, U.S. exports of fully processed rice are placed at a severe disadvantage by a tariff plus a variable levy. Exports of husked and brown rice also are subject to substantial tariffs and levies.

Despite this, U.S. rice and rice products may have some small potential for further sales growth because of the high quality.

Canned Vegetables and Fruit

British consumption of canned vegetables and fruit is stagnant or declining under the onslaught of fresh and frozen products.

Tariffs on all canned and bottled vegetables are high. Tariffs on fruits are even higher, and generally are augmented by levies when the product includes sugar.

As a result, EC suppliers such as France, Italy and Greece enjoy substantial price advantages. The use of processing subsidies for certain types of vegetables and fruit gives EC suppliers a further advantage, in some cases decisive.

Fresh Vegetables

Consumer preference for fresh produce creates some opportunities for U.S. fresh vegetable exports. However, competition is severe from British producers, EC suppliers and Mediterranean countries—several of which receive preferential tariff treatment.

EC tariffs on fresh vegetables are moderately high. Vegetables may also be charged compensatory taxes—in effect, minimum prices—on entering the EC. Despite this, a small quantity of U.S. fresh vegetables is exported to Britain, largely because of their quality.

Fruit Juices

Although consumption of fruit juices in the United Kingdom has risen, U.S. fruit juice exporters have not been able to capitalize on this growth.

The tariff on most types of orange juice, grapefruit juice and lemon juice is high. Supplementary levies are added to these rates if the juices contain added sugar.

The principal suppliers of orange juice are Israel, which receives a large preferential advantage, and Brazil, which does not. Israel also is the main supplier of grapefruit juice, again benefiting from a large preferential tariff advantage.

Quick-frozen Foods

British demand for quick-frozen foods increased sharply during the 1970's and early 1980's. However, due to several factors, U.S. exporters have not been able to take advantage of this development.

In addtion to high tariffs on frozen foods, those containing milk- or grain-based products are subject to variable levies. U.S. exports also are burdened by high shipping, handling and storing costs.

The largest British frozen food processors have multinational links and can manufacture products that are found to be successful in other countries. However, products that have unique characteristics can find a limited place on the market.

Sweet corn is the largest U.S. frozen food export to Britain, followed by miscellaneous vegetables and French fried potatoes. Frozen sweet cherries and frozen bakery products also are popular items. ■

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Commodity Marketing Profiles

- ☐ Animal feeds & fodders
- ☐ Animal oils & fats
- ☐ Animals, live
- ☐ Cereal preparations
- ☐ Dairy Products
- ☐ Eggs
- ☐ Fruit, dried
- ☐ Fruit, fresh citrus
- ☐ Fruit, fresh non-citrus
- ☐ Fruit juices
- ☐ Fruit, processed
- ☐ Hardwood logs
- ☐ Hardwood lumber
- ☐ Hardwood plywoods (includes veneers)
- ☐ Hides & skins
- ☐ Meat, prepared
- ☐ Meat, red
- ☐ Nursery products
- ☐ Peanuts & products
- ☐ Poultry meat
- ☐ Seeds
- ☐ Softwood logs
- ☐ Softwood lumber
- ☐ Softwood plywoods (includes veneers)
- ☐ Tree nuts
- ☐ Vegetable oils
- ☐ Vegetables, dehydrated
- ☐ Vegetables, fresh
- ☐ Vegetables, processed
- ☐ Wheat & flour

Country Marketing Profiles

- ☐ Algeria
- ☐ Argentina
- ☐ Australia
- ☐ Austria
- ☐ Bahamas
- ☐ Bahrain
- ☐ Bangladesh
- ☐ Barbados
- ☐ Belgium & Luxembourg
- ☐ Belize
- ☐ Bolivia
- ☐ Brazil
- ☐ Canada
- ☐ Chile
- ☐ China
- ☐ Colombia
- ☐ Costa Rica
- ☐ Cyprus
- ☐ Czechoslovakia
- ☐ Denmark
- ☐ Dominican Republic
- ☐ Ecuador
- ☐ Egypt
- ☐ El Salvador
- ☐ Finland
- ☐ France
- ☐ Germany, East
- ☐ Germany, West
- ☐ Ghana
- ☐ Greece
- ☐ Guatemala
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- ☐ Honduras
- ☐ Hong Kong
- ☐ Hungary
- ☐ India
- ☐ Indonesia
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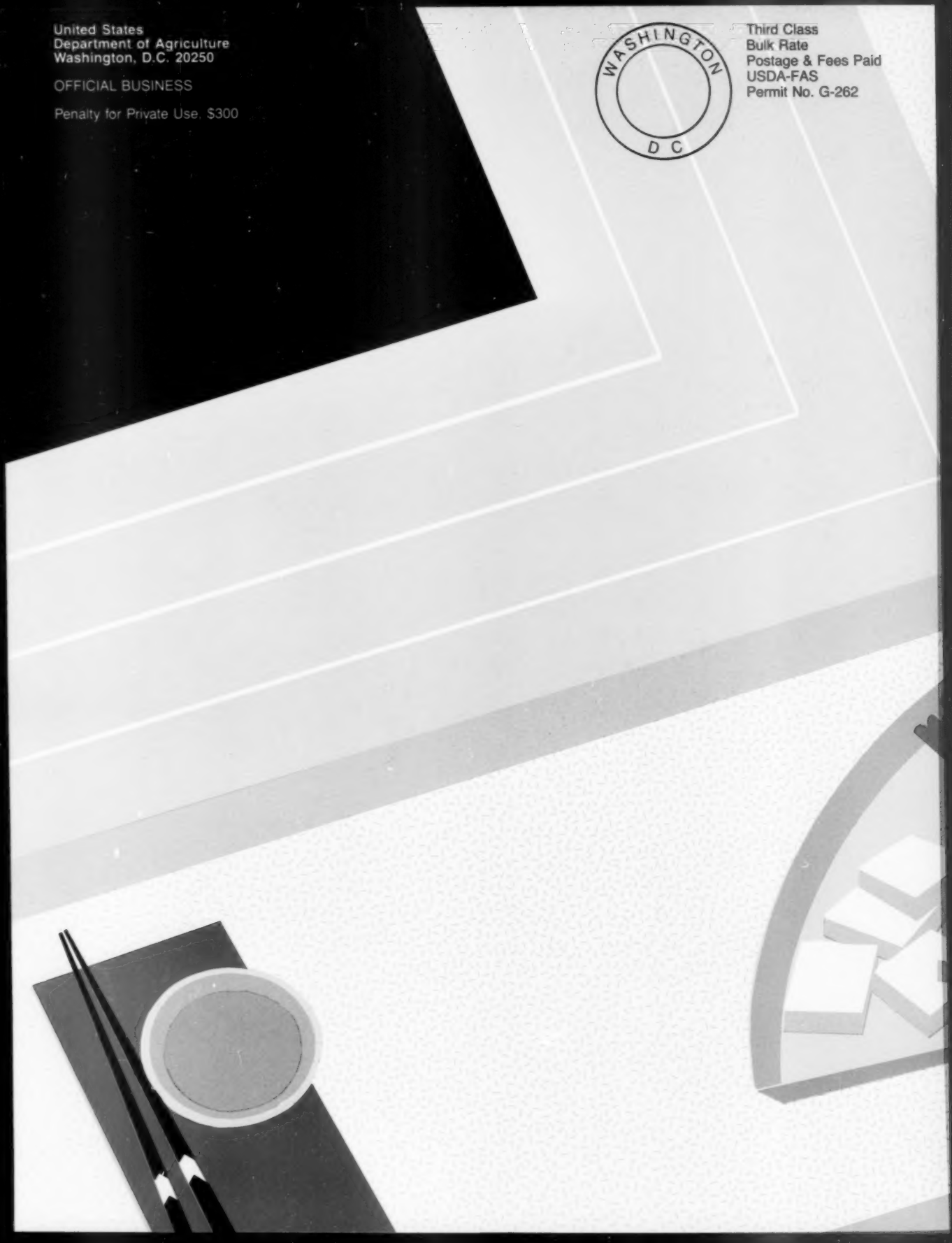
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